

Message Text

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70

ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

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SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 FEA-02 PA-04

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R 271520Z SEP 74

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 6225

INFO AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY ROME

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C O R R E C T E D C O P Y -- PARA FOUR --

E.O.: 11652: N/A

TAGS: ENRG, BEXP, NI

SUBJ: BIDDERS FOR SECOND NIGERIAN REFINERY DOWN TO FOUR

REF: LAGOS 8812 NOTAL

1. FOSTER WHEELER HAS INFORMED EMBASSY THAT FIRM HAS IN FACT BEEN ELIMINATED FROM COMPETING FOR CONTRACT TO BUILD THE SECOND NIGERIAN REFINERY. DURING AMIABLE DISCUSSION WITH FW REP (NOW RESIDENT LAGOS), PROJECT MANAGER KUFEJI MADE CLEAR THAT ELIMINATION WAS DUE TO FW'S WELL UNDERSTOOD RELUCTANCE TO MAKE LUMP-SUM BID. RE ASKED KUFEJI IF HE WASN'T CONCERNED THAT ONLY REMAINING BIDDERS WERE FRENCH AND ITALIAN COMPANIES. KUFEJI REPLIED THAT SO LONG AS THE FIRMS ARE CAPABLE, WHY SHOULD NIGERIA CARE WHO WANTS TO SUBSIDIZE THE REFINERY.

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2. FW ELIMINATION CONFIRMS INFO GIVEN EMBASSY BY GERMAN FIRM

THYSSEN STAHLUION TECHNIK THAT THE FOUR REMAINING BIDDERS ARE HEURTEY, SNAM PROGETTI, TECHNIP PETROLE, AND JOINT VENTURE OF TST AND CTIP, AN ITALIAN FIRM OWNED BY ARTHUR M. KCKEE AND COMPANY. SINCE MCKEE IS THEREFORE ONLY US FIRM WITH ANY CHANCE OF BEING INVOLVED IN THE CONSTRUCTION CONTRACT (AND THEREBY MAXIMIZING OPPORTUNITY FOR EXPORT OF US COMPONENTS), EMBASSY REQUESTS DEPARTMENT OF COMMERCE TO CONSULT WITH MCKEE HOME OFFICE (INDEPENDENCE, OHIO, 216/524-9300) AND DETERMINE IF THERE IS SOME WAY EMBASSY AND DEPARTMENT COOPERATION WOULD IMPROVE CHANCES OF SUCCESS FOR THE TST-MCKEE-CTIP JOINT VENTURE. PLEASE ADVISE.

3. EMBASSY PRESENTLY UNAWARE ANYTHING WE CAN DO FOR MCKEE, BUT AT SOME POINT EMBASSY REPRESENTATIONS TO FMG MIGHT HELP. WE WILL REESTABLISH AND MAINTAIN CONTACT WITH TST REP (A UK NATIONAL) WHEN HE TAKES UP RESIDENCE HERE NEXT MONTH.

4. COMMENT. MCKEE'S BIG PROBLEM, LIKE FOSTER WHEELER, IS UNDOUBTEDLY NIGERIAN INSISTENCE ON LUMP-SUM BID TOGETHER WITH EXPECTATION, THAT FRENCH AND ITALIAN FIRMS (INCLUDING CTIP?) CAN BENEFIT FROM GOVERNMENT INSURANCE AGAINST INFLATION AND/OR EXPORT SUBSIDIES. FW, TST, AND OTHERS HAVE ARGUED THAT NIGERIANS WILL ATTRACT BETTER BIDDERS AND IN LONG RUN SPEND LESS MONEY IF COST PLUS APPROACH USED, BUT THE NIGERIANS RESIST THIS RIGHTLY OR WRONGLY FOR A MIXTURE OF THE FOLLOWING REASONS:

(1) SINCE PROJECT HAS HIGHEST PRIORITY, NIGERIANS WANT TO PRECLUDE DELAYS AND COST DISPUTES IN LATER STAGES AND BELIEVE ALL DETAILS MUST THEREFORE BE PINNED DOWN IN ADVANCE. (2) SINCE A FEW FIRMS APPEAR WILLING TO MAKE LUMP-SUM BID, SOME NIGERIANS (NOT NECESSARILY THE TECHNICALLY ORIENTED PEOPLE CLOSEST TO THE PROJECT) MISTRUST THE SERIOUSNESS OF FIRMS WHO ARE UNWILLING, (3) IF THE WILLING FIRMS CAN OBTAIN EXPORT AIDS FROM THEIR GOVERNMENTS THAT CAN ONLY BE TO NIGERIA'S ADDED ADVANTAGE, (4) ADMINISTRATION OF THE TURN-KEY PROJECT APPEARS SIMPLER THE MORE RESPONSIBILITY RESTS ON THE CONTRACTOR RATHER THAN BEING SHARED WITH CONSULTANTS. (5) NIGERIANS DISTRUST EACH OTHERS' AND OUTSIDERS' MOTIVES; FIXED COST CONTRACT APPEARS TO RESTRAIN ACTIVITIES OF MIDDLEMEN AND TO MINIMIZE FUTURE MISREPRESENTATION. (6) PHILOSOPHY GAINED GROUND IN NIGERIA

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THAT GOVERNMENTS OF INDUSTRIALIZED COUNTRIES SHOULD SAFEGUARD DEVELOPING COUNTRIES AGAINST INFLATION SO LONG AS OIL-PRODUCING COUNTRIES ARE EXPECTED TO STABILIZE PRICE OF CRUDE OIL (SEELAGOS 8957). (7) SINCE LUMP-SUM BIDDING DOES IN FACT FAVOR CERTAIN BIDDERS, THEIR SUPPORTERS (INCLUDING THE FRENCH CONSULTANT BEICIP?) PROBABLY HAVE SOUGHT TO GET THIS PRINCIPLE ESTABLISHED FOR THEIR OWN COMMERCIAL ADVANTAGE.

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